GM Chron

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Dear Senator D'Amato:

Thank you for your letter of June 22 on sales of surplus U.S. butter. The Commodity Credit Corporation buys butter as part of the federal milk price support program. High support prices have created a situation where the CCC each week buys about 8 million more pounds of butter than it can use. Clearly something must be done soon to reduce U.S. butter stocks.

The CCC purchased the butter in its inventories at U.S. domestic prices, which are substantially above world market prices. Thus any butter exports would, in effect, be subsidized. As the world's largest agricultural exporter, we have a great stake in discouraging trade in subsidized goods. In addition, if the butter were sold to the U.S.S.R. it would reach Soviet consumers at prices substantially below those Americans pay for butter.

The export of CCC butter might also violate U.S. commitments under the General Agreement on Tariffs and Trade. In particular the GATT signatories, including the U.S., have agreed not to use subsidies to displace exports of other signatories. It is in our interest as an exporter to uphold this agreement.

The question of how best to dispose of the CCC butter, including the possibility of a sale to the U.S.S.R., is now under inter-agency review. No final decisions have been made.

DEPARTMENT OF STATE A/CDC/MR
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Sincerely,

Richard Fairbanks
Assistant Secretary for
Congressional Relations

The Honorable
Alfonse D'Amato,
United States Senator

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